

ORGANIC COTTON – A STEP TOWARDS SUSTAINABLE HOSIERY PRODUCTS IN TIRUPUR

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Introduction

Tirupur's hosiery industry which was catering to the domestic market rose to become a major exporter to the global markets within a short span of 20 years. With the small size and limited investments, the industry could handle large volumes of exports mainly by outsourcing the different processes. After 2005 with the removal of Quota Restrictions (QR), Tirupur's hosiery industry is facing many challenges but at the same time it has enough business opportunities to grow provided the industry appropriate business strategies to survive in the international market. Tirupur hosiery exporters were in the throes of an increasingly competitive environment after 2005. Though the exporters were confident that they will be able to export larger volumes, thanks to the removal of QR, they were diffident that their profitability will be eroded because of the competition. They were under pressure to look for methods to stay competitive and to maintain the profitability. Given the scenario that the infrastructure and other support activities are common for all the firms an individual firm at the best can carve out its superiority mainly in terms of use of technology, design capabilities and maintaining superior quality standards. These three put together will on the one hand enable the firm to maximize the cost, which will enhance the profitability of the firm. A firm has to increasingly focus on these three areas in future for enhancing its competitiveness.

A major shift in the competitive structure of Tirupur's hosiery industry

In the initial stage from 1947 – 1991, this industry was a beneficiary of the schemes and concessions provided by the policy measures and concessions relating to SSI sector, textile sector and the export sector. When the GOI introduced economic reforms in 1991, the various concessions were withdrawn but different promotional measures were introduced particularly to the SSI sector but there was a slow down in concessions and subsidies. With the establishment of WTO in 1995, this industry was thrown open to global competition.

As the industry was thrown open to a competitive environment in 2005, all those involved in safeguarding and promoting this industry have stepped in and done their best to enable this industry to cope with the suddenly changed environment. The GOI through its textile policy has attempted to provide the necessary support mainly in technology upgradation, quality improvement, entrepreneurship development as a previous policy of subsidies and concessions is no longer tenable under liberalization and globalization. The other bodies like Textile Committee, TEA, AEPC, TEXPROCIL, SIHMA have implemented measures to enable the Tirupur's exporters to become more professional and gain competitiveness. The firms on their part have realized the opportunities and challenges ahead of them and got ready by restructuring themselves

to handle larger volumes, to reduce prices by cutting costs and gaining new markets with more items, better design and higher quality, marketing collaboration with other countries and focusing on branding.

There has been a shift in the competitive structure of this industry after QR. Before QR competition was non-existent the industry had an assured but limited market. The assured market enabled the industry to reap handsome profits. Under such an environment the Government policies aimed at protecting this industry's interest as a major exporter of hosiery products but belonging to the SSI sector. So the industry through its associations provided the role of a facilitator basically to enable the industry to maintain its growth rate. The industry's role is limited to that of a representative to protect the interests of the firm. The firm taking advantage of the cheap labour and raw material with enormous outsourcing was able to thrive and grow as an exporter in the global markets. Absence of competition provided a comfort zone for the firm to flourish. With the advent of WTO in 1995 and the removal of quota system in 2005, the industry started facing an intriguing situation – the possibility of a market without a cap or losing the existing market share to the competitor. The government as it had to withdraw the concession under the WTO agreements has shifted its focus to provide the world class infrastructure to boost the export performance of this town. The industry has to play a proactive role by exposing its exporters to professionalism and modern business practices. The firm had to now look for ways to arrest the decline in profitability by adopting the best practices and formulate appropriate strategies in managing its value chain efficiently.

Business Strategies to compete in the new environment

Firms in Tirupur will now have to adopt new business strategies to compete in the new environment. Some such strategies are discussed below.

1. Differentiation strategy

This strategy will fetch good results if the buyer needs and preferences are too diverse to be fully satisfied by one product or by sellers of the same capabilities. To implement this strategy first of all the firm must analyse what the buyer values and is really to pay for, then it must build in those features into the product. This will clearly differentiate the product from its rivals and the firm will start enjoying competitive advantage once enough number of buyers is attracted towards its product. Once a successful differentiation strategy is established, it allows the firm to charge a premium price for its product, increases its unit sales and gains buyers loyalty to the brand.

2. Focused low cost strategy

The focused low cost strategy aims at serving a particular segment of the buyers with lower costs and lower prices compared to its rivals. The same techniques under low cost provider strategy can be used here also to reduce the cost. This strategy has considerable attraction because by limiting its customer base a firm can significantly lower its cost.

3. Focused differentiation strategy

The focused differentiation strategy aims at providing a particular segment of the buyers with product that suits their tastes and preferences. The success of this strategy depends upon the existence of a buyer segment that is looking for special features in a product. But in most markets there exists a group of buyers willing to pay a premium price for value added products and this opens the opportunity for the implementation of this strategy.

4. Best cost provider strategy

The best cost provider strategy aims at giving customers more value for the money. To implement this strategy a firm must have capabilities and resources to incorporate good-to-excellent features in a product, all at a lower cost than its rivals. The strategy can be very powerful if the diverse nature of the buyers call for diversification and also if many buyers are sensitive to price and value.

Manufacturing and Marketing Sustainable hosiery products as a business strategy

In the present context, there is growing demand for sustainable products, particularly in textiles. Growing awareness on environmental pollution among customers, has widened the scope for production and sales of eco friendly textiles, which has opened up new business opportunities for Tirupur. All along the value chain there are plenty of opportunities to adopt eco friendly processes that would help the firms to cater to the demand for sustainable textiles. The first and foremost step starts with the shifting to organic cotton

Fig 1 – Textile Industry Value Chain

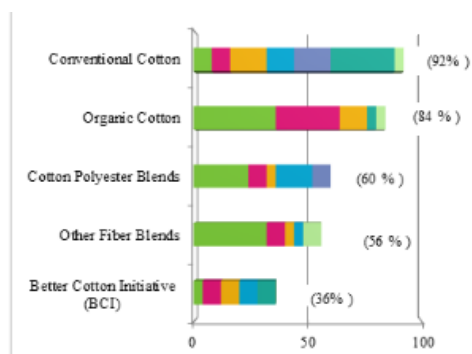


Source : <https://textilevaluechain.in/news-insights/the-textile-value-chain-of-industry-facing-liquidity-issues-it/>

A survey conducted in 2019 by Nielsen found that 73 per cent of global consumers are willing to alter their consumption patterns to reduce environmental pollution. Half of them were even willing to pay more for products containing organic or all-natural ingredients. This shift has increased demand for organic textiles, which has seen a 12 per cent annual growth rate in recent years[1].

Though most of the organic farms are located in the Maharashtra, Madhya Pradesh, Gujarat and Andhra Pradesh belt, the towns of Coimbatore and Tirupur in Tamil Nadu has the maximum number of integrated players in organic cotton [2]. There are also a good number of factories in Tirupur that are GOTS certified. Among the mills, Super Spinning Mills and Armstrong Knitting Mills are major suppliers of organic cotton yarn to the export manufacturing industry.

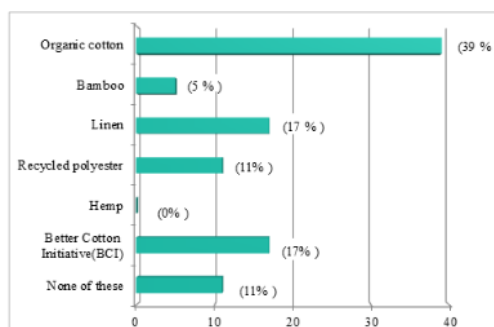
Table 1 Yarn used in Tirupur



Source: Elicit Information on Sustainable Yarns in Tirupur Knitwear Industry, Volume-8 | Issue-12 | December-2018 | PRINT ISSN No 2249-555X, Indian Journal of Applied Research, Mrs. Mitali Nautiyal, Dr. N. Vasugi

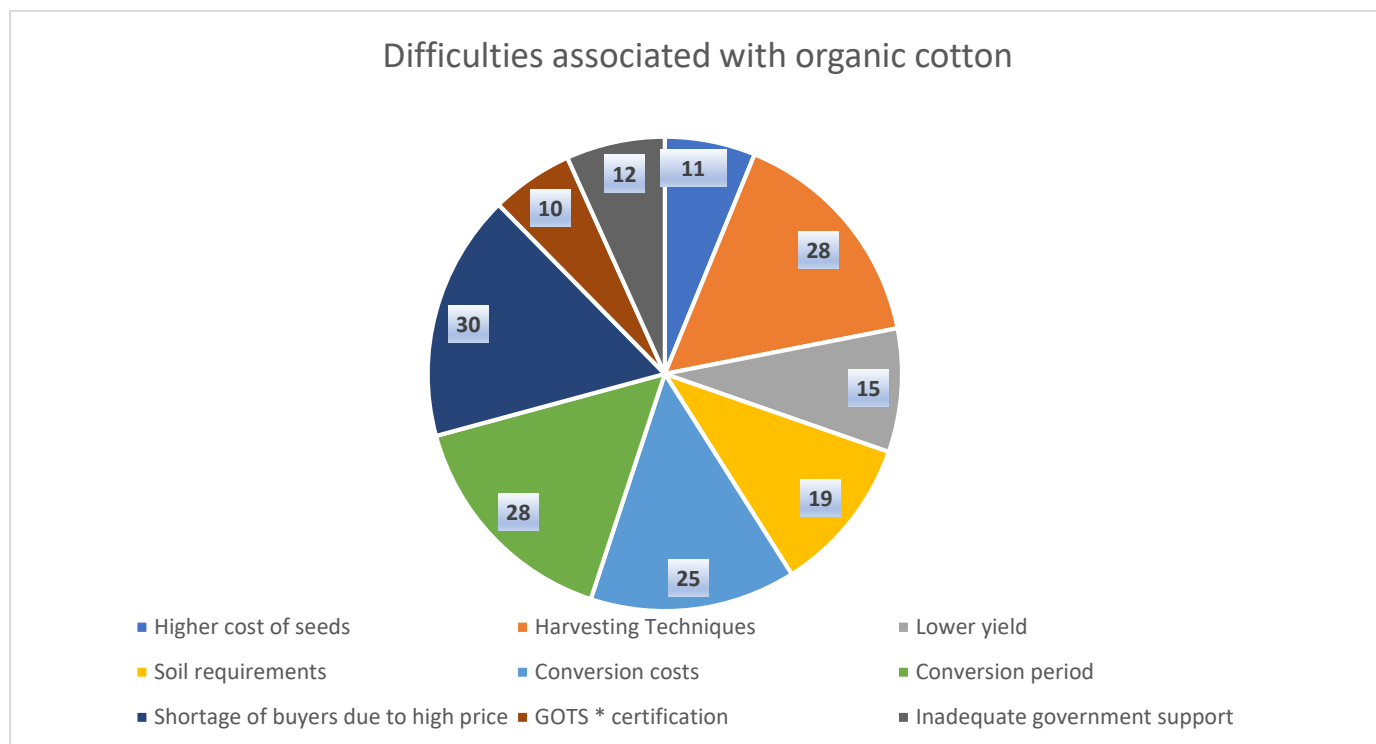
From the Table 1, it is apparent that though conventional yarn is widely used by the knitwear industry (92%), it is closely followed by organic cotton (84%) which symbolizes that the industry is moving towards sustainable textiles. Besides organic cotton there are also other sustainable yarns that are used by the industry which is presented in Table 2. BCI cotton yarn and linen are also likely to have good demand in future in the sustainable textile segment.

Table -2 Sustainable Yarns used in Tirupur



Source: Elicit Information on Sustainable Yarns in Tirupur Knitwear Industry, Volume-8 | Issue-12 | December-2018 | PRINT ISSN No 2249-555X, Indian Journal of Applied Research, Mrs. Mitali Nautiyal, Dr. N. Vasugi

Fig 2 Difficulties Associated with organic cotton



Source : Primary data

** Global Organic Textile Standard (GOTS) is a textile production certification that limits the use of toxic bleaches, dyes and other chemical inputs during the production process of textiles. It is internationally recognized as the toughest organic textile standard because it goes far beyond verifying the organic farming process to include every step of manufacturing.*

Despite the efforts of the industry to turn green , there are many problems in the production and supply of organic cotton. 50 respondents from Tirupur were asked to rate the problems associated with organic cotton. Based on the primary data collected, the challenges can be listed in the following order

Table 3 – Major challenges in the transition to organic cotton

S.No	Challenges	Percentage
1	Shortage of buyers due to high price	60%
2	Conversion period	56%
3	Harvesting techniques	56%
4	Conversion costs	50%
5	Soil requirements	38%
6	Lower yield	30%
7	Inadequate government support	24%
8	Higher cost of seeds	22%
9	GOTS certification	20%

Source : Primary data

An analysis of the above table reveals that the major problem with organic cotton is the shortage of buyers due to its high price. The increased price of this raw material increases the final price of the product which erodes profitability. This is the major reason for many hosiery units to prefer conventional cotton compared to organic cotton. A closer look at the above table shows that all the other factors from 2 to 9 contribute to the increased price. Therefore addressing these factors would bring down the price of organic cotton for which the following suggestions may be considered

1. The industry is operating as a cluster with strong industry associations. Therefore industry associations must take efforts to convert large farms into organic cotton. Generally it takes about 3 years to convert a conventional cotton farm into organic farms. Adopting organic practices such as using natural manures, green pesticides and manual harvesting consumes time and cost. The yield is also low compared to conventional cotton. But with the increase in size of the farm, the yield will also increase and economies of scale would set in. The high costs associated with conversion, waiting period and harvesting can be brought down.
2. Inadequate government support is cited as one of the problems in shifting to organic cotton. From the above table it can be inferred that government support is required in the procurement of organic cotton seed. Already price support schemes from government are available for organic practices. Exclusive schemes must be made available for Tirupur to help the industry compete in the world market, for which industry associations have to liaison with the government.
3. Non profit organisations are also involved in production and distribution of organic cotton seeds for commercial purpose. The industry associations can

get themselves involved in the procurement and distribution of organic cotton seeds by collaborating with such non profit organisations

4. Another area of concern is the difficulty in obtaining GOTS certification

To obtain the GOTS “organic” label, a product must [3]

1. Contain at least 95% organic fiber
2. Not be treated with bleach, formaldehyde or any other toxic substances
3. Be colored with nontoxic dyes
4. Be produced in a mill that enforces strict social and environmental standards, treating their employees and the earth with deep respect. GOTS certification means that our products meet the very highest standards.

Organic Trade Association (OTA) states that there has been 31 per cent growth of organic cotton in the industry in the past one year and it is expected to see a rise of 10 per cent by the year 2021 [4] India has the maximum organic certified facilities as the latest figures of **Global Organic Textile Standard (GOTS)** certification say that India has 2,994 GOTS certified facilities in the textile industry [5]. Other textile and apparel dominating countries are far behind in this regard. As far as Tirupur is concerned firms are in the forerun to obtain GOTS certification though there are in the forerun to obtain GOTS certification. Given the fact that there is growing awareness among customers towards green textiles and that they are even willing to pay a premium price for it, many export firms in Tirupur consider GOTS certification as a good investment. Such firms can be linked with the organic cotton suppliers so that they will have an assured market for their produce. This upstream linkage in the supply chain will also help the firms to obtain GOTS certificate with ease.

Conclusion

The hosiery industry in Tirupur has come a long way from a small town catering to the domestic market to a major exporter of hosiery products. The industry had faced many challenges over the years and had transformed itself in many ways to cope with the changing business environment. After the dismantling of the quota system the industry was thrown open to competition and the industry restructured itself to compete in the new environment. More investments were made into technology and infrastructure, Efforts were taken towards vertical integration to bring in economies of scale. But now the trend is towards sustainability where efforts are being made to transform into green cluster. Across the globe there is growing awareness among the customers to shift to eco-friendly products. Taking a cue from this the cluster is taking efforts to adopt eco friendly methods, starting with organic cotton. Many individual firms in Tirupur have started using organic cotton fibre but this transition is not without challenges as discussed. Complete transformation can happen only if sustained efforts are taken collectively by the entire cluster for which the industry associations have to play a lead role.

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